

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.4424 Discretionary groups; authorization; basis of refusal; size and composition; trustee as policyholder; authorizing discretionary groups and plans where no contribution to premium payment from employer or organization; determination by commissioner; maximum insurance available; annual adjustment; continuing insurance in excess of limitations; fee; expenses; information; rules; appeal.

Sec. 4424. (1) The commissioner may authorize the insuring on a group insurance basis of groups other than those specifically defined in sections 4404 to 4420 if conditions or circumstances indicate that granting permission for discretionary group life insurance coverages is in the interest of public policy. This section does not limit the commissioner to only authorize those groups that are logically analagous in character and composition to the groups specifically defined in sections 4404 to 4420.

(2) The commissioner may refuse to grant permission in any instance on the basis of a finding that the requested group plan:

(a) Would not result in economies of acquisition and administration that justify a group rate.

(b) Would present hazards of voluntary adverse selection to a degree not usually present in group insurance.

(c) Would be actuarially unsound.

(d) Would fail to preclude individual selection among persons to be insured under the proposed group plan.

(3) The discretionary group shall consist of not less than 250 persons. The discretionary group may consist of only a portion of the employees of an employer or of the members of an organization, if segregation arises out of reasonable grounds, geographical or otherwise, that make it presently impossible or undesirable to include in a single group all of the employees or members. The discretionary group may consist of employees of more than 1 employer, or the members of more than 1 organization or association, if evidence submitted clearly indicates the desirability of embracing the proposed assemblage of individuals under a single group. By way of particular, but not in limitation, the group may consist of the employees of 1 or more governmental or quasigovernmental units, federal, state, municipal, or local.

(4) If, for reasons that the commissioner determines to be adequate, it appears to be impossible or infeasible for the employer to be the policyholder in any group authorized under this section, the commissioner may authorize the designation of a trustee or trustees to be the policyholder, subject to rules the commissioner approves.

(5) The commissioner may authorize discretionary groups and plans of group insurance that qualify in all other respects under this section although there be no contribution to the premium payment from the employer or organization if the commissioner finds that circumstances render the contribution inequitable, impossible, or impracticable.

(6) The percentage of employees or members required to participate in any group authorized under this section, the types of insurance coverage to be offered to the members of the group, and the amounts of insurance to be provided, shall be as the commissioner determines. The maximum insurance available to any member of a group authorized under this section shall not exceed \$80,000.00. The maximum shall be adjusted beginning July 1, 1982, and annually thereafter, to reflect changes in the cost of living under rules prescribed by the commissioner. However, if a group that previously operated under authority of any of the sections 4404 to 4420 is continued under the provisions of this section, the types of insurance and amounts of coverage already authorized in the group may be continued although in excess of the limitations that would otherwise be available under this section.

(7) Before any application for permission to qualify under this section is considered, the applicant shall deposit with the commissioner a specific fee of \$100.00 to defray the costs of examining into the circumstances and conditions appertaining to the proposed group and group insurance and shall covenant to compensate the insurance bureau for any additional unusual expenses that it may incur. The applicant shall furnish such information, documents, and data pertaining to the proposed group plan as the commissioner requires to arrive at his or her determination. The commissioner shall, from time to time, promulgate rules for the enforcement of this section.

(8) The applicant may appeal from the commissioner's refusal to authorize the discretionary group to the circuit court for the county of Ingham on the grounds that the refusal is arbitrary or capricious and devoid of sound underwriting or actuarial grounds; but any fees or costs paid to or incurred by the insurance bureau under subsection (7) is not subject to recovery.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1957, Act 77, Eff. Sept. 27, 1957;—Am. 1968, Act 113, Imd. Eff. June 11, 1968;—

Am. 1976, Act 351, Imd. Eff. Dec. 21, 1976;—Am. 1980, Act 263, Imd. Eff. Sept. 15, 1980;—Am. 1981, Act 1, Imd. Eff. Mar. 30, 1981;—Am. 1982, Act 27, Imd. Eff. Mar. 9, 1982;—Am. 1998, Act 457, Imd. Eff. Jan. 4, 1999.

Popular name: Act 218

Administrative rules: R 500.402 et seq. of the Michigan Administrative Code.